

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7160**

**BILL NUMBER:** HB 1685

**DATE PREPARED:** Feb 6, 2001

**BILL AMENDED:**

**SUBJECT:** Commercial Motor Vehicle Excise Tax.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:** X

X

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill exempts certain farm trailers from the Commercial Vehicle Excise Tax (CVET) in order to assess and tax the farm trailers as personal property. The bill also makes transitional provisions.

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:** If maximum levies are increased by approximately \$160,000 in CY 2003 as explained in Explanation of Local Revenues, below, then Property Tax Replacement Credit (PTRC) payments would increase by about \$32,000 in CY 2003 and thereafter. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional PTRC expenditures would ultimately come from the General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Farm Trailers:* Under current law, certain vehicles were removed from the property tax rolls for taxes payable in CY 2001 and thereafter. These vehicles are now subject to the CVET. The vehicles that are now taxed under CVET rather than property tax include 1) Indiana-based and non-Indiana-based vehicles (except buses) subject to International Registration Plan (IRP) apportioned registration and 2) trucks, tractors, trailers, semitrailers, and semitractors that are subject to registration with the Indiana Bureau of Motor Vehicles. This bill would remove farm trailers from CVET in CY 2002 and place them back on the property tax rolls for the 2002 Pay 2003 property tax year.

The State Board of Tax Commissioners would determine the base revenue distribution to each local taxing unit for CY 2002 and CY 2003. The Tax Board would also adjust each taxing unit's maximum permissible levy to account for the addition of farm trailers. In CY 2001, it is estimated that farm trailer owners will pay

about \$160,000 in CVET on about 8,100 trailers.

If the \$160,000 approximates the property tax that would be paid on the vehicles under the property tax, then the amount of CVET paid by the owners of other vehicle types would not be affected. If, however, the property taxes are more (or less) than the CVET payment, then the difference would be spread proportionately among the other vehicles.

Local revenues in CY 2003 and thereafter should not be affected by this provision. However, CY 2002 local revenues would be reduced by \$160,000 because of the one-year lag in property tax payments. The CY 2002 CVET distributions would be reduced by \$160,000, but maximum levies would not be increased until CY 2003. This provision would keep the \$160,000 from being shifted to other property tax payers in CY 2002.

*CVET Tax Rates:* The bill also makes a change to the formula that determines the CVET tax rates. Under current law, the total distribution amount for local units is divided by the total registration fees for all of the registered vehicles that are subject to CVET to determine the rate. The registration fees for farm vehicles are doubled in the calculation. The doubling of the rate occurs because farm vehicles are subject to registration fees at one half of the amount that non-farm vehicles are subject to. However, because current law also sets the farm vehicle CVET rates at one half of non-farm vehicle rates, the formula overstates the registration base and understates the necessary CVET rates necessary to fund the base distribution amount. This provision would consider farm registrations at only 100% in the calculation of CVET rates.

Under current law, CVET collections are expected to be about \$2.5 M per year less than the amount needed to make the necessary distributions. Almost \$9 M was collected in CY 2000 from CVET taxpayers as a reserve. This amount would cover the deficit for only three years. This provision corrects the rate calculation so that the deficit would only be incurred in CY 2002. The \$2.5 M increase would be spread over all vehicle types subject to CVET.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** All local taxing units.

**Information Sources:** Indiana Department of Revenue; Bureau of Motor Vehicles.